

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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EMMETSBURG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
BOARD OF EDUCATION		
Karla Anderson	President	2013
Steve Pelzer	Vice President	2011
Don Hagen		2011
Linda Tienter		2011
Kim Campbell		2013
Tammy Naig		2013
Laure Eglund		2011

School Officials

John Joynt	Superintendent
Patricia Swanson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Emmetsburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2012 on our consideration of Emmetsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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P.O. Box 241
Clarion, IA 50525

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Fax: (515) 532-3677
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 7, 2012

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,273,036 in fiscal 2010 to \$7,622,880 in fiscal 2011 (9% increase), while General Fund expenditures increased from \$6,744,517 in fiscal 2010 to \$7,063,510 in fiscal 2011 (5% increase).
- Expenses increased primarily due to normal payroll increases.
- General Fund revenues increased as cash reserve property taxes were levied to replace prior year state aid cuts.
- The General Fund balance increased over \$560,000 to finish the year with a positive balance of over \$982,000. This was the second consecutive year for General Fund increases. The District's solvency ratio is 12% which is in line with the commonly recommended amount of 10%.
- The District collects statewide sales, services and use taxes. This money is being used for property tax relief, debt retirement, equipment and building projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and fiduciary funds as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Emmetsburg Community School District Annual Financial Report

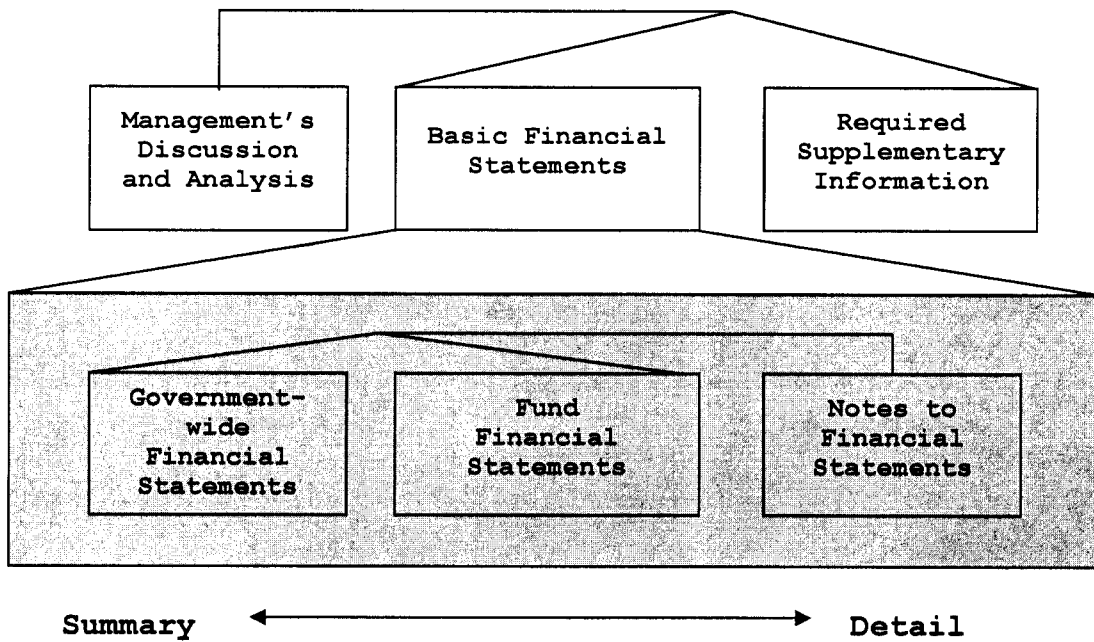


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as flex spending
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds - The District accounts for the flex benefit program in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<p style="text-align: center;">Figure A-3 Condensed Statement of Net Assets (expressed in thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 6,904	6,501	89	72	6,993	6,573	6.39%
Capital assets	10,045	10,268	-	-	10,045	10,268	-2.17%
Total assets	<u>16,949</u>	<u>16,769</u>	<u>89</u>	<u>72</u>	<u>17,038</u>	<u>16,841</u>	<u>1.17%</u>
Current liabilities	4,421	4,838	-	-	4,421	4,838	-8.62%
Non-current liabilities	6,872	6,810	-	-	6,872	6,810	0.91%
Total liabilities	<u>11,293</u>	<u>11,648</u>	<u>-</u>	<u>-</u>	<u>11,293</u>	<u>11,648</u>	<u>-3.05%</u>
Net Assets							
Invested in capital assets, net of related debt	3,630	3,583	-	-	3,630	3,583	1.31%
Restricted	1,391	1,090	-	-	1,391	1,090	27.61%
Unrestricted	635	448	89	72	724	520	39.23%
Total net assets	<u>\$ 5,656</u>	<u>5,121</u>	<u>89</u>	<u>72</u>	<u>5,745</u>	<u>5,193</u>	<u>10.63%</u>

Unrestricted net assets increased primarily due to the District's General Fund increase. Restricted assets increased as the Management and PPEL funds increased over \$250,000 in total.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (expressed in thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 558	625	233	244	791	869	-8.98%
Operating grants, contributions and restricted interest	1,642	1,909	188	183	1,830	2,092	-12.52%
General revenues:							
Property tax	3,875	3,163	-	-	3,875	3,163	22.51%
Income surtax	375	434	-	-	375	434	-13.59%
Statewide sales and services and use tax	453	394	-	-	453	394	14.97%
Unrestricted state grants	2,075	2,093	-	-	2,075	2,093	-0.86%
Unrestricted investment earnings	1	4	-	-	1	4	-75.00%
Other	4	58	-	-	4	58	-93.10%
Total revenues	8,983	8,680	421	427	9,404	9,107	3.26%
Program expenses:							
Governmental activities:							
Instruction	5,676	5,152	-	-	5,676	5,152	10.17%
Support services	2,111	2,257	-	-	2,111	2,257	-6.47%
Non-instructional programs	-	-	404	387	404	387	4.39%
Other expenses	660	774	-	-	660	774	-14.73%
Total expenses	8,447	8,183	404	387	8,851	8,570	3.28%
Change in net assets	\$ 536	497	17	40	553	537	2.98%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses. The District increased its spending on these areas which are the most directly related to classroom activities from 83% to 88% of total expenses over the past two years.

Governmental Activities

Revenues for governmental activities were \$8,982,759 and expenses were \$8,447,158 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities (expressed in thousands)						
Total Cost of Services			Net Cost of Services			
2011	2010	Change 2010-2010	2011	2010	Change 2010-2010	
Instruction	\$ 5,676	5,152	10.17%	3,797	3,143	20.81%
Support services	2,111	2,257	-6.47%	2,090	2,214	-5.60%
Other expenses	660	774	-14.73%	361	292	23.63%
Totals	\$ 8,447	8,183	3.23%	6,248	5,649	10.60%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$557,633.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$999,306
- The net cost of governmental activities was financed with \$3,875,180 in property tax and \$2,074,895 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$420,788 and expenses totaled \$404,127. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$2,104,790, a 64% increase over last year's ending fund balance of \$1,286,106. This was a result primarily of an increase of over \$560,000 in the General Fund.

Governmental Fund Highlights

Several factors contributed to the changes of the fund balances in the District's governmental funds.

- The District received \$453,506 in statewide sales, services and use taxes. This money is being used for infrastructure projects and debt retirement. This saved the District's taxpayers over \$425,000 in property taxes.
- The District controlled discretionary spending in all areas.
- Declining enrollment has a negative effect on the General Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased approximately \$40,000 in fiscal year 2010.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Actual expenditures did not exceed the budgeted amounts in any of the four functions. The unspent authorized budget remains above 10% of the General Fund budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$10.0 million, net of accumulated depreciation, by the end of fiscal 2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The old junior high building has been sold. Total depreciation expenses for the year exceeded \$305,000.

Figure A-6

Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 10	10	-	-	10	10	0.00%
Buildings	9,887	10,124	-	-	9,887	10,124	-2.34%
Furniture and equipment	148	202	-	-	148	202	-26.73%
Totals	<u>\$ 10,045</u>	<u>10,336</u>	<u>-</u>	<u>-</u>	<u>10,045</u>	<u>10,336</u>	<u>-2.82%</u>

Long-Term Debt

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. The bonds have an interest rate of 4.0% and will fully mature in 2027. They are being paid from a combination of sales tax (80%) and property tax revenues (20%).

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 6,685	6,945	-4.00%
Other postemployment benefits	43	-	100.00%
Early retirement	82	100	-18.00%
	<u>\$ 6,810</u>	<u>7,045</u>	<u>-3.34%</u>

Early retirement and postemployment benefits are payable in future years. See the notes to financial statements for further explanation of these items.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for fiscal year 2011 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will need to continue to monitor payroll expenses as they account for the vast majority of the budget.
- The District hopes to achieve continued savings due to combining the junior and senior high schools onto one campus.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Allowable growth must be increased above 2% to allow the District to maintain its current programs.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Swanson, District Business Manager, Emmetsburg Community School District, 205 King Street, Emmetsburg, IA 50536.

Basic Financial Statements

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental	Business Type Activities	
	Activities	School Nutrition	Total
Assets			
Cash and pooled investments	\$ 2,363,546	74,451	2,437,997
Receivables:			
Property tax:			
Current year	54,395	-	54,395
Succeeding year	3,864,079	-	3,864,079
Income surtax	421,413	-	421,413
Due from other governments	200,547	-	200,547
Inventories	-	14,137	14,137
Capital assets, net of accumulated depreciation	10,045,251	48	10,045,299
Total assets	<u>16,949,231</u>	<u>88,636</u>	<u>17,037,867</u>
Liabilities			
Accounts payable	52,452	-	52,452
Accrued payroll and benefits	377,511	-	377,511
Accrued interest payable	42,767	-	42,767
Deferred revenue:			
Succeeding year property tax	3,864,079	-	3,864,079
Federal programs	83,735	-	83,735
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	88,625	-	88,625
General obligation bonds payable	280,000	-	280,000
Portion due after one year:			
Net OPEB payable	83,236	-	83,236
Early retirement payable	285,254	-	285,254
General obligation bonds payable	6,135,000	-	6,135,000
Total liabilities	<u>11,292,659</u>	<u>-</u>	<u>11,292,659</u>
Net assets			
Invested in capital assets, net of related debt	3,630,251	48	3,630,299
Restricted for:			
Categorical funding	93,121	-	93,121
Student activities	45,883	-	45,883
Management levy	177,148	-	177,148
School infrastructure	469,077	-	469,077
Physical plant and equipment levy	605,615	-	605,615
Debt service	4	-	4
Unrestricted	635,473	88,588	724,061
Total net assets	<u>\$ 5,656,572</u>	<u>88,636</u>	<u>5,745,208</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction	\$ 5,676,304	554,305	1,324,942	(3,797,057)	-	(3,797,057)
Support services:						
Student services	151,860	-	-	(151,860)	-	(151,860)
Instructional staff services	118,157	-	-	(118,157)	-	(118,157)
Administration services	676,563	-	-	(676,563)	-	(676,563)
Operation and maintenance of plant services	799,898	-	17,590	(782,308)	-	(782,308)
Transportation services	364,733	3,328	-	(361,405)	-	(361,405)
	2,111,211	3,328	17,590	(2,090,293)	-	(2,090,293)
Other expenditures:						
AEA flowthrough	297,748	-	297,748	-	-	-
Interest on long-term debt	265,600	-	-	(265,600)	-	(265,600)
Facilities acquisition and construction	96,295	-	1,378	(94,917)	-	(94,917)
	659,643	-	299,126	(360,517)	-	(360,517)
Total governmental activities	8,447,158	557,633	1,641,658	(6,247,867)	-	(6,247,867)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	404,127	232,791	187,997	-	16,661	16,661
Total	<u>\$ 8,851,285</u>	<u>790,424</u>	<u>1,829,655</u>	<u>(6,247,867)</u>	<u>16,661</u>	<u>(6,231,206)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 3,418,303	-	3,418,303
Management				240,709	-	240,709
Capital outlay				216,168	-	216,168
Income surtax:						
General purposes				219,361	-	219,361
Capital outlay				155,570	-	155,570
Statewide sales, services and use tax				453,506	-	453,506
Unrestricted state grants				2,074,895	-	2,074,895
Unrestricted investment earnings				726	-	726
Other				4,230	-	4,230
Total general revenues				<u>6,783,468</u>	<u>-</u>	<u>6,783,468</u>
Change in net assets				535,601	16,661	552,262
Net assets beginning of year				<u>5,120,971</u>	<u>71,975</u>	<u>5,192,946</u>
Net assets end of year				<u>\$ 5,656,572</u>	<u>88,636</u>	<u>5,745,208</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Debt Service	Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy			
\$ 1,276,475	47,532	173,763	423,876	441,896	4	2,363,546		
48,070	-	3,385	-	2,940	-	54,395		
3,408,246	-	239,999	-	215,834	-	3,864,079		
245,824	-	-	-	175,589	-	421,413		
155,346	-	-	45,201	-	-	200,547		
\$ 5,133,961	47,532	417,147	469,077	836,259	4	6,903,980		

Assets

Cash and pooled investments
Receivables:
Property tax:
Current year
Succeeding year
Income surtax
Due from other governments
Other receivables
Total assets

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Physical Plant and Equipment Levy	Services and Use Tax			
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 35,993	1,649	-	-	14,810	-	-	-	52,452
Accrued payroll and benefits	377,511	-	-	-	-	-	-	-	377,511
Deferred revenue:									
Succeeding year property tax	3,408,246	-	239,999	-	215,834	-	-	-	3,864,079
Succeeding year income surtax	245,824	-	-	-	175,589	-	-	-	421,413
Federal programs	83,735	-	-	-	-	-	-	-	83,735
Total liabilities	4,151,309	1,649	239,999	-	406,233	-	-	-	4,799,190
Fund balances:									
Restricted for:									
Categorical funding	93,121	-	-	-	-	-	-	-	93,121
Student activities	-	45,883	-	-	-	-	-	-	45,883
Management levy	-	-	177,148	-	-	-	-	-	177,148
School infrastructure	-	-	-	469,077	-	-	-	-	469,077
Physical plant and equipment levy	-	-	-	-	430,026	-	-	-	430,026
Debt service	-	-	-	-	-	-	4	4	4
Unassigned	889,531	-	-	-	-	-	-	-	889,531
Total fund balances	982,652	45,883	177,148	469,077	430,026	469,077	4	4	2,104,790
Total liabilities and fund balances	\$ 5,133,961	47,532	417,147	469,077	836,259	469,077	4	4	6,903,980

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 2,104,790
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	421,413
--	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,045,251
--	------------

Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,872,115)
---	-------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(42,767)</u>
--	-----------------

Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,656,572</u></u>
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EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Services and Use Tax	Physical Plant and Equipment Levy			
Revenues:									
Local sources:									
Local tax	\$ 3,637,888	-	240,709	453,506	371,887	-	-	-	4,703,990
Tuition	554,305	-	-	-	-	-	-	-	554,305
Other	58,738	274,082	12,480	1,378	5,110	-	-	-	351,788
State sources	2,965,239	-	-	-	-	-	-	-	2,965,239
Federal sources	406,710	-	-	-	-	-	-	-	406,710
Total revenues	7,622,880	274,082	253,189	454,884	376,997	-	-	-	8,982,032
Expenditures:									
Current:									
Instruction	4,999,225	270,634	30,805	-	71,503	-	-	-	5,372,167
Support services:									
Student services	151,860	-	-	-	-	-	-	-	151,860
Instructional staff services	118,157	-	-	-	-	-	-	-	118,157
Administration services	676,563	-	-	-	-	-	-	-	676,563
Operation and maintenance of plant services	520,142	-	35,023	-	-	-	-	-	555,165
Transportation services	299,815	-	16,606	-	30,240	-	-	-	346,661
	1,766,537	-	51,629	-	30,240	-	-	-	1,848,406

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	Capital Projects					
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	Debt Service Total
Other expenditures:						
AEA flowthrough	297,748	-	-	-	-	297,748
Long-term debt:						
Principal	-	-	-	-	-	270,000
Interest	-	-	-	-	-	267,400
Facilities acquisition and construction	-	-	-	18,784	89,943	108,727
	297,748	-	-	18,784	89,943	943,875
Total expenditures	7,063,510	270,634	82,434	18,784	191,686	8,164,448
Excess (deficiency) of revenues over (under) expenditures	559,370	3,448	170,755	436,100	185,311	817,584
Other financing sources (uses):						
Sale of equipment and real property	1,100	-	-	-	-	1,100
Operating transfers in	-	-	-	-	-	537,400
Operating transfers out	-	-	-	(429,524)	(107,876)	(537,400)
	1,100	-	-	(429,524)	(107,876)	1,100
Net change in fund balances	560,470	3,448	170,755	6,576	77,435	818,684
Fund balances beginning of year	422,182	42,435	6,393	462,501	352,591	1,286,106
Fund balances end of year	\$ 982,652	45,883	177,148	469,077	430,026	2,104,790

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 818,684

**Amounts reported for governmental activities in the Statement of
 Activities are different because:**

Income surtaxes not collected for several months after the District's
 fiscal year ends are not considered "available" revenues in the
 governmental funds and are included as deferred revenues. They are,
 however, recorded as revenues in the statement of activities
 This represents the change from the prior fiscal year.

(373)

Capital outlays to purchase or build capital assets are reported in
 governmental funds as expenditures. However, those costs are not
 reported in the Statement of Net Activities and are allocated over their
 estimated useful lives as depreciation expense in the Statement of
 Activities. The amounts of capital outlays and depreciation expense
 in the year are as follows:

Capital outlays	\$ 82,866	
Depreciation expense	<u>(305,567)</u>	(222,701)

Some expenses reported in the Statement of Activities do not require
 the use of current financial resources and, therefore, are not
 reported as expenditures in the governmental funds:

Early retirement	(291,879)	
Other postemployment benefits	<u>(39,930)</u>	(331,809)

Interest on long-term debt in the Statement of Activities differs from
 the amount reported in the governmental funds because interest is
 recorded as an expenditure in the funds when due. In the Statement
 of Activities, interest expense is recognized as the interest accrues,
 regardless of when it is due.

1,800

Repayment of long-term liabilities is an expenditure in the
 governmental funds, but the repayment reduces long-term liabilities
 in the Statement of Net Assets. Current year repayments were as follows:

Repaid	<u>270,000</u>
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Change in net assets of governmental activities (Exhibit B) \$ 535,601

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 232,791
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	144,120
Benefits	48,911
Services	451
Supplies	210,509
Depreciation	136
Total operating expenses	<u>404,127</u>
Operating (loss)	<u>(171,336)</u>
Non-operating revenues:	
State sources	3,466
Federal sources	184,298
Interest income	233
	<u>187,997</u>
Changes in fund net assets	16,661
Net assets beginning of year	<u>71,975</u>
Net assets end of year	<u>\$ 88,636</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 233,760
Cash payments to employees for services	(193,031)
Cash payments to suppliers for goods or services	(188,133)
Net cash (used by) operating activities	<u>(147,404)</u>
Cash flows from non-capital financing activities:	
State grants received	3,466
Federal grants received	160,552
Net cash provided by non-capital financing activities	<u>164,018</u>
Cash flows from investing activities:	
Interest on investments	<u>233</u>
Net change in cash and cash equivalents	16,847
Cash and cash equivalents beginning of year	<u>57,604</u>
Cash and cash equivalents end of year	<u><u>\$ 74,451</u></u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (171,336)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	136
Commodities used	23,746
Decrease in receivables	969
(Increase) in inventory	(919)
	<u><u>\$ (147,404)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$23,746.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	<u>Agency Fund</u>
Assets	
Cash and pooled investments	\$ 14,373
Total assets	<u>14,373</u>
Liabilities	
Accounts payable	<u>\$ 14,373</u>

See notes to financial statements

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Emmetsburg, Iowa, and agricultural area in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Emmetsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Service and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District for administering its flex spending plan.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	13,075,631	12,432	-	13,088,063
Furniture and Equipment	1,258,954	70,434	-	1,329,388
Total capital assets being depreciated	14,334,585	82,866	-	14,417,451
Less accumulated depreciation for:				
Buildings	2,951,256	249,932	-	3,201,188
Furniture and Equipment	1,125,377	55,635	-	1,181,012
Total accumulated depreciation	4,076,633	305,567	-	4,382,200
Total capital assets being depreciated, net	10,257,952	(222,701)	-	10,035,251
Governmental activities, capital assets, net	\$ 10,267,952	(222,701)	-	10,045,251
Business type activities:				
Furniture and equipment	\$ 125,304	-	-	125,304
Less accumulated depreciation	125,120	136	-	125,256
Business type activities capital assets, net	\$ 184	(136)	-	48
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Plant operation and maintenance				\$ 257,255
Transportation services				48,312
				<u>\$ 305,567</u>
Business Type activities:				
Food service operations				<u>\$ 136</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 43,306	39,930	-	83,236	-
General Obligation Bonds	6,685,000	-	270,000	6,415,000	280,000
Early Retirement	82,000	324,879	33,000	373,879	88,625
Total	<u>\$6,810,306</u>	<u>364,809</u>	<u>303,000</u>	<u>6,872,115</u>	<u>368,625</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			
	Rates	Interest	Principal	Total
2012	4.00%	\$ 256,600	280,000	536,600
2013	4.00	245,400	295,000	540,400
2014	4.00	233,600	310,000	543,600
2015	4.00	221,200	320,000	541,200
2016	4.00	208,400	335,000	543,400
2017-2021	4.00	827,800	1,925,000	2,752,800
2022-2026	4.00	406,000	2,405,000	2,811,000
2027	4.00	21,800	545,000	566,800
Total		<u>\$2,420,800</u>	<u>6,415,000</u>	<u>8,835,800</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must have attained the age of 55 on or before July 1 of the year of retirement but not exceeded the age of 66 when the benefit is first paid. For benefits to be payable, the licensed employee must have completed at least 12 years of full-time consecutive service in the district. The early retirement benefit for each eligible employee is equal to the single insurance premium, not to exceed \$6,875 yearly. Early retirement benefits paid during the year ended June 30, 2011 totaled \$33,000. The total cost of early retirement payments is expected to be \$373,879, of which \$88,625 is expected to be paid in FY12. These amounts are shown as long-term liabilities on the Statement of Net Assets.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$303,597, \$289,136, and \$279,864 respectively, equal to the required contributions for each year.

(6) Risk Management

Emmetsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$297,748 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Physical Plant and Equipment Levy	\$107,876
Debt Service	Capital Projects, Statewide Sales, Service and Use Tax	<u>429,524</u>
		<u>\$537,400</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 96 active members and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 61,168
Interest on net OPEB obligation	1,083
Adjustment to annual required contribution	<u>(4,714)</u>
Annual OPEB cost	57,537
Implicit contributions made	<u>(17,607)</u>
Increase in net OPEB obligation	39,930
Net OPEB obligation beginning of year	<u>43,306</u>
Net OPEB obligation end of year	<u>\$ 83,236</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$13,945 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$57,251	24.4%	\$43,306
June 30, 2011	\$57,537	30.6%	\$83,236

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$486,247, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$486,247. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,423,000 and the ratio of the UAAL to covered payroll was 11.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	352,591
Change in fund type classification per implementation of GASB Statement No. 54	<u>352,591</u>	<u>(352,591)</u>
Balances July 1, 2010, as restated	<u>\$352,591</u>	<u>-</u>

Required Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances --
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 5,610,083	233,024	5,843,107	5,924,295	5,924,295	(81,188)
State sources	2,965,239	3,466	2,968,705	3,188,683	3,188,683	(219,978)
Federal sources	406,710	184,298	591,008	398,000	398,000	193,008
Total revenues	<u>8,982,032</u>	<u>420,788</u>	<u>9,402,820</u>	<u>9,510,978</u>	<u>9,510,978</u>	<u>(108,158)</u>
Expenditures/Expenses:						
Instruction	5,372,167	-	5,372,167	6,154,662	6,154,662	782,495
Support services	1,848,406	-	1,848,406	1,975,000	1,975,000	126,594
Non-instructional programs	-	404,127	404,127	435,000	435,000	30,873
Other expenditures	943,875	-	943,875	1,747,724	1,747,724	803,849
Total expenditures/expenses	<u>8,164,448</u>	<u>404,127</u>	<u>8,568,575</u>	<u>10,312,386</u>	<u>10,312,386</u>	<u>1,743,811</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	817,584	16,661	834,245	(801,408)	(801,408)	1,635,653
Other financing sources (uses)	<u>1,100</u>	<u>-</u>	<u>1,100</u>	<u>537,800</u>	<u>537,800</u>	<u>(536,700)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	818,684	16,661	835,345	(263,608)	(263,608)	1,098,953
Balance beginning of year	<u>1,286,106</u>	<u>71,975</u>	<u>1,358,081</u>	<u>665,146</u>	<u>665,146</u>	<u>692,935</u>
Balance end of year	<u>\$ 2,104,790</u>	<u>88,636</u>	<u>2,193,426</u>	<u>401,538</u>	<u>401,538</u>	<u>1,791,888</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$503	\$503	0.0%	\$4,365	11.5%
2011	Jul 1, 2009	\$0	\$486	\$486	0.0%	\$4,423	11.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Tickets	\$ 10	10,660	10,660	10
Rental Fees	26	502	479	49
V Show Choir Rental	4,080	240	4,080	240
JV Show Choir Rental	1,447	270	397	1,320
Concert Choir Uniform Rental	916	1,453	1,156	1,213
Middle School Swing Choir	100	-	100	-
Gifts and Donations	3,750	1,177	2,824	2,103
Interest Earned	503	259	604	158
Elementary Book Fair	-	3,162	3,151	11
Bucks for Books	-	2,234	1,951	283
Tournaments	-	27,186	27,186	-
Middle School Music	-	166	166	-
HS Vocal Music	-	20,294	20,046	248
HS Instrumental Music	1,632	894	519	2,007
Musical/Play	854	7,347	7,347	854
Pupil Insurance	12	902	902	12
Pepsi Funds	180	8,315	6,214	2,281
FFA	4,597	37,134	38,675	3,056
Speech and Drama	-	542	542	-
Elementary Student Council	5,778	2,316	3,544	4,550
MS Student Council	3,101	2,742	3,056	2,787
HS Student Council	4,309	8,004	8,984	3,329
Concessions	(215)	864	808	(159)
Previous Year Aerie	40	-	40	-
Present Year Aerie	-	13,067	9,519	3,548
National Honor Society	-	1,472	1,472	-
Previous Classes	1,168	-	555	613
Class of 2013	(38)	500	61	401
Class of 2014	-	25	60	(35)
Class of 2012	(94)	17,981	15,887	2,000
Class of 2011	1,123	1,693	2,816	-
Cheerleaders	265	11,167	9,531	1,901
Peer Counseling	105	-	-	105
Spanish Club	73	-	-	73
General Athletics	169	70,963	70,954	178
Speed and Agility	679	29	708	-
HS Football	2,746	11,724	9,199	5,271
HS Boys Golf	-	1,080	308	772

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Softball Fundraiser	\$ 301	11,031	10,723	609
HS Boys Track	168	1,237	1,318	87
HS Cross Country	107	550	420	237
HS Volleyball	389	-	-	389
Journalism	395	-	-	395
Towels	3,178	-	1,745	1,433
Helping Hands	13	73	29	57
Hawks Nest	568	10,885	7,956	3,497
	42,435	290,140	286,692	45,883
-Interaccount transfers		(16,058)	(16,058)	
Totals	\$ 42,435	274,082	270,634	45,883

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 29,144
Food Distribution (non-cash)	10.555	FY11	23,746
National School Lunch Program	10.555	FY11	<u>131,409</u>
			<u>184,299</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	21,815
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>26,207</u>
			48,022
Education Jobs Fund	84.410	FY11	67,398
Improving Teacher Quality States Grants	84.367	FY11	34,670
Grants for Assessments and Related Activities	84.369	FY11	4,810
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	35,363
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	31,542
Career and Technical Education - Basic Grants to States	84.048	FY11	6,198
Tech-Prep Education	84.243	FY11	2,500
Area Education Agency 8:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	88,856
Special Education - Grants to States (IDEA Part B)	84.027	FY11	<u>38,668</u>
Total			<u>\$ 542,326</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Emmetsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Emmetsburg Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 7, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emmetsburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

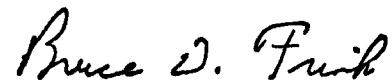
As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmetsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 7, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133

To the Board of Education of
Emmetsburg Community School District:

Compliance

We have audited the compliance of Emmetsburg Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Emmetsburg Community School District's major federal programs for the year ended June 30, 2011. Emmetsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Emmetsburg Community School District's management. Our responsibility is to express an opinion on Emmetsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Emmetsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Emmetsburg Community School District's compliance with those requirements.

In our opinion, Emmetsburg Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Emmetsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Emmetsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over compliance.

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Clarion, IA 50525

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bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Emmetsburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 7, 2012

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered programs:

- CFDA Number 84.391: ARRA - Special Education Grants to States, Recovery Act
- CFDA Number 84.027: Special Education, Grants to States

Clustered programs:

- CFDA Number 10.555: School Breakfast Program
- CFDA Number 10.553: National School Lunch Program

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Emmetsburg Community School District did not qualify as a low-risk auditee.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Other and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 84.391: ARRA - Special Education Grants to States, Recovery Act

CFDA Number 84.027: Special Education, Grants to States

Federal Award Year: 2011

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number 10.533: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2011

US Department of Education

Passed through Iowa Department of Education

III-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.
- IV-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-H-11 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- IV-I-11 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2010 was overstated. The District's certified enrollment count included 1 additional student on line 1. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- IV-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$462,501
Revenues/transfers in:		
Sales tax revenues	\$453,506	
Other local revenues	<u>1,379</u>	<u>454,885</u>
		917,386
Expenditures/transfers out:		
School infrastructure construction	18,785	
Transfers to other funds:		
Debt service fund	<u>429,524</u>	<u>448,309</u>
Ending balance		<u>\$469,077</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F or the Code of Iowa.

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
Debt Service	<u>\$1.57</u>	<u>\$429,524</u>